

CANRAY RESOURCES LIMITED

Suite 202 - 220 Bay Street
Toronto, Ontario

FORMED BY MERGER OF
Canadian Malartic Gold Mines LTD

Six Month Report

**FOR THE SIX MONTH PERIOD ENDED
OCTOBER 31, 1979**

CANRAY RESOURCES LIMITED

REPORT TO THE SHAREHOLDERS

For the Six Month Period Ending
October 31, 1979

TO THE SHAREHOLDERS:

We present herewith the consolidated unaudited Statement of Exploration and Development including the Head Office Expenses and Statement of Changes in Financial position for the six month period ended October 31, 1979 with comparative figures for the same period of 1978. Canray Resources Inc., a wholly-owned U.S. subsidiary, is included in the current period.

Burleson County — Texas

The Company has participated with Calvert Gas & Oils Ltd. through wholly owned U.S. subsidiaries in the drilling of eleven wells in Burleson County, Texas, all indicated as commercial producers of oil and gas. Eight of the wells have been placed on production and are producing approximately 180 barrels per day along with some gas. The other three are in varying stages of completion and should be on production shortly. The twelfth well in the ongoing program is scheduled to begin drilling shortly. A further 15 drill sites are available in the immediate area with additional land acquisitions contemplated. Canray provides the drilling and completion funds to earn half of Calvert's 21.25% working interest (10.625%) and will recover its total costs out of 75% of the production from all the wells in the Joint Venture on a cumulative basis. The Company has arranged with its bankers for a line of credit to meet its commitments in the programs.

**West Bethany, Texas –
Vermillion Parish, Louisiana**

It is expected that 5 gas wells drilled in the above areas will be placed on production in the very near future.

Manitoba and Saskatchewan – Flin Flon Project

An exploration program is being planned for 1979 to investigate further favourable areas resulting from work programs already completed.

Russell Lake – Saskatchewan

A surface prospecting program has been completed and results are currently being processed. An airborne Input survey has been proposed and arrangements are being made to have this flown shortly.

Canray with its increasing cash flow now being generated along with the arrangements made for bank financing will permit the Company to expand its participations in the resources industry as situations of merit present themselves.

On Behalf of the Board of Directors.

M. Axmith,
President.

Toronto, Ontario
November 27, 1979.

**INTERIM CONSOLIDATED UNAUDITED
STATEMENT OF
EXPLORATION AND DEVELOPMENT
INCLUDING HEAD OFFICE AND
ADMINISTRATION EXPENSES**

For the Six Months Ended October 31, 1979
(with comparative figures for 1978)

	1979	1978
Exploration and Development		
Flin Flon Project, Manitoba and Saskatchewan	\$ 4,673	\$ 1,473
Canadian Malartic Property – Maintenance	444	343
Russell Lake, Saskatchewan	10,853	29,862
Taxes and Licences	793	524
Insurance and Wages	286	218
Chibougamau – Scott Township ...	1,301	778
Consulting Fees	—	304
U.S. Oil and Gas Projects – Drilling and Development	1,356,980	131,799
Dogpaw Area, Ontario	5,272	—
James Bay Lowlands, Ontario	1,038	—
	<u>\$1,381,640</u>	<u>\$ 165,301</u>
Less:		
Lease Rental Received	\$ 200	\$ 400
Revenue – Oil and Gas Production	189,500	—
Black Township Area – Recovery of Expenses	2,472	—
	<u>\$ 192,172</u>	<u>\$ 400</u>
	<u>\$ 1,189,468</u>	<u>\$ 164,901</u>
Head Office Administration		
Financing Costs	\$ —	\$ 12,666
Administrative Salaries	7,000	7,000
Office Salary	5,040	4,020
Printing and Shareholders Information	3,180	2,794
Office Rent, Supplies and Expenses	5,634	5,116
Travel	558	—
Legal and Audit	24,406	14,289
Taxes and Filing Fees	1,251	963
Directors Fees	2,200	4,200
Transfer Agent Fees	2,753	1,186
Telephone	672	531
Employees' Social Benefits	589	481
Stock Exchange Listing	550	733
Interest and Bank Charges	4,787	—
	<u>\$ 58,620</u>	<u>\$ 53,979</u>
Less:		
Interest Income	\$ 12,151	\$ 9,611
Dividend Income	5,190	7,304
Management Income	2,651	6,525
	<u>\$ 19,992</u>	<u>\$ 23,440</u>
Total Head Office and Administrative Expenses	<u>\$ 38,628</u>	<u>\$ 30,539</u>
Total Exploration, Development and Administration	<u>\$ 1,228,096</u>	<u>\$ 195,440</u>

**INTERIM CONSOLIDATED UNAUDITED
STATEMENT OF CHANGES OF
FINANCIAL POSITION**

For the Six Months Ended October 31, 1979
(with comparative figures for 1978)

	<u>1979</u>	<u>1978</u>
Source of Working Capital		
Proceeds on Sale of		
Investments	\$ 62,021	\$ 28,029
Issue of Shares	1,050,000	723,060
	<u>\$ 1,112,021</u>	<u>\$ 751,089</u>
Application of Working Capital		
Exploration and		
Development including		
Head Office and		
Administration Expenses	<u>\$ 1,228,096</u>	<u>\$ 195,440</u>
Increase (Decrease) in		
Working Capital	(\$ 116,075)	\$ 555,649
Working Capital — May 1	<u>22,346</u>	<u>331,643</u>
Working Capital (Deficiency)		
— October 31	<u><u>(\$ 93,729)</u></u>	<u><u>\$ 887,292</u></u>